



**Aalto University**  
**School of Business**

# **Business Model and Strategy Change in Finnish Legal Service Industry**

Bachelor's Thesis  
Ilari Autio  
23.5.2017  
Business Technology

Approved in the Department of Information and Service Economy xx.xx.2017 and  
awarded the grade

## Table of Contents

List of Figures.....	II
1. Introduction and Methodology .....	1
1.1 Purpose of This Research .....	1
1.2 Methodology and Research Questions.....	3
1.3 Structure of the Thesis .....	4
2. Literature Review and Theoretical Approach .....	5
2.1 Strategy and Business Model.....	5
2.2 Service Process .....	6
2.3 Coping with Extensive Theory .....	8
3. Analysis of Business Model in Finnish Legal Services Companies .....	9
3.1 Review of the Current Situation of the Legal Service Industry in Finland .....	9
3.2 Business Model of Legal Services.....	11
3.3 Service Process Matrix .....	13
3.4 Dilemma of the Legal Service Business Model in the Service Process Matrix....	15
4. Assessment of the Business Model Change .....	16
4.1 Analyzing the Shift by Reflection of Predicted Business Model Change .....	16
4.2 What Is Happening ‘Tomorrow’?.....	18
4.2.1 New Business Models .....	18
4.2.2 What Is Going to Happen to Existing Companies.....	22
5. Conclusions .....	23
Sources .....	27
Literature .....	27
Other sources .....	29

## List of Figures

Figure 1: The Business Model's Place in the Firm (Osterwalder et al. 2005) .....	11
Figure 2: Problem-Solving Diagram of a Legal Service Provider (adopted from Stabell & Fjeldstad 1998) .....	12
Figure 3: Schmenner's (1986) Service Process Matrix as Revised in Schmenner (2004)..	14
Figure 4: Modified Service Process Matrix Describing the Expansion of Legal Service Industry .....	17
Figure 5: Classification of Different Business Models. ....	21

# **1. Introduction and Methodology**

## **1.1 Purpose of This Research**

The business model is a crucial part of any given company and it is fundamentally what the company is doing. Fair enough, this model of operations in general is something that characterizes any other organization with a purpose, not just companies and businesses. Successful business models enable companies to continue their existence and it is something that is closely associated with their strategies (Magretta 2002, Richardson 2008). Business model is at the core of the business and it formulates how the company achieves the goals set in the strategy by utilizing the business organization and information technology (Osterwalder et al. 2005). Business model is also something that shows the differences between companies within a same field and therefore it is crucial to understand these differences to get insights of why certain companies and businesses thrive and why certain ones do not (Nelson 1991).

It is important that business model are created in a way that a company can adapt into different market positions from its point of view without major changes in the business model. If the business model is all the time suspect to change, there might be something very wrong in the selected business model. This does not mean, however, that the business model should be completely static but it needs to change if the need is present – thus it actually is closely related with organizational or market changes (Morabito 2014, 166). Strategic changes are usually necessary if there occurs new market competition or, for instance, if there is a threat of a substitute to service or product the company is offering (Porter 1979). Therefore, it can be presumed that by changing strategy and business model, a company is able to change its operations drastically if there are major changes in the business environment or the market.

This research is about the business model change and strategy amendment of legal service industry in Finland. There are certain industries worldwide that tend to be dominated by very few practitioners and therefore these industries are not suspect to similar competition than, for instance, retail or website development industries. These are for example legal industry, but also doctors, priests and management consultants (Susskind & Susskind 2015). The main reason seems to be that these professions are very information intensive and they have a habit of keeping the valuable information within the group of a selected

few and they have no incentive to distribute it in large scale outside of the group (Susskind & Susskind 2015). As it has been difficult to join the profession without the ‘approval’ of existing practitioners due to heavy investments and requirements of acquiring formal and informal information – and even regulation – the industries have been able to regulate themselves efficiently and existing members of the profession have been able to control new entrants and development in the field. Thus, traditionally, legal service industry has been very resistant to changes since the industry has very few new entrants and there has not been too much cross-market competition (Susskind 2013).

However, there is also a global trend that even these ‘old’ professions are changing – and surprisingly rapidly – due to new processes and methods but especially due to significant technological advances. Previously the information intensiveness has prevented large-scale use of technology to disrupt for instance the legal sector, but today these limitations do not apply due to huge technological and computational power increases. While previously it was unheard of that a computer or an artificial intelligence could assess human health, nowadays IBM’s Watson is applied all over the world to help physicians to assess the condition and treatment of patients. This makes ‘old’ professions vulnerable and the need to change business model and strategy arises. The reason for this is that the clients expect these professions to change in order to serve them better.

Finnish law firms (see more in-depth information about these in chapter 3.1) are currently experiencing a reform as well. While traditionally there have been many boutique firms within the industry, the trend has been that the biggest attorneys-at-laws are growing rapidly through mergers and collaboration with global law firms.<sup>i</sup> There are possibly many reasons for this, but most likely reasons are the requirements from clients: they need even more comprehensive service. Legal service is not sufficient to most clients, because legal issues are not independent from managerial issues, which are traditionally advised by management consultants. Consolidation of experts provides these law firms serve their clients even better, thus creating more revenue.

The fact that the legal service and management consultancy are beginning to have more and more dependencies causes the interest of market entries to legal sector by non-traditional companies. Moreover, traditional companies revise their strategies and create new ways of serving their clients. A great example is Fondia, which is a full service business law firm that operates in Finland, Sweden and Estonia. It employs many ‘traditional’

lawyers, many of whom formerly practiced law in a traditional law firm, but its business model is very different. While the typical business model in a law firm is based on billable hours, Fondia's business model is taking care of outsourced in-house legal services of their clients, so called Legal Department as a Service, or LDaaS. Incidentally, Fondia became one of the world's first publicly traded law firms in April 2017 (the first being Australian Slater & Gordon in 2007).

The purpose of this research is to try to identify and qualify the actual business model and strategy change that is happening in many law firms in Finland in order to answer the growing needs of their clients. Traditional 'billable hours' business model is changing and law firms need new approaches in order not to be swallowed in most part by bigger players for example from management consulting or accounting companies or by completely new players in the field, such as aforementioned Fondia or other companies with a completely new approach to providing legal service.

## **1.2 Methodology and Research Questions**

The main theoretical framework this research is based on is the competitive strategy formulated by Porter (1979). In this article, Michael E. Porter described five different forces that affect companies' strategies: the threat of new entrants, the bargaining power of customers, the bargaining power of suppliers, the threat of substitute products or services and jockeying for position among existing players within an industry. The need for business model and strategy changes in Finnish legal service companies – and in other countries as well – arise from these forces that are actively shaping current legal service field. Moreover, Porter (1996) has suggested that the key to successful strategies of successful companies lies in the ability of make correct tradeoffs. These tradeoffs and the strategic fit of the companies have to be identified for the purposes of this study at least to some extent. It is impossible to go through these in detail in this paper, but this thesis aims to provide general notion on these. Porter's views on strategy have a great impact for the reasons why changes in business models is happening.

This study will analyze current legal service business model in Finland through service process matrix developed by Schmenner (1986, 2004). The purpose is to first locate where the legal service industry has been in this matrix and then try to understand whether the position has changed. Since it was not practical to conduct thorough quantitative research, this will be somewhat speculative. Without preliminary study on the topic, such as the pa-

per at hand, quantitative research possibly would not be as fruitful as it would be after the findings of this study. However, there are signs in the legal service industry from which it is possible to infer changes in the business models on a qualitative basis. It is already in the beginning clear, however, that drawing definite conclusions will require more in-depth study. This paper will show that there indeed is a strategic shift in legal service business models in Finland and that this strategic shift is happening due to variety of reasons. Majority of these observations come from statistics utilized in this study and pieces of news and press releases. Additionally, many observations come from the experience of the author, who is working within legal service industry.

It will not be possible to show conclusively what the fundamental reasons for strategic changes are and why the change is happening but this thesis will provide insights about possible reasons from literature and observations from public information.

The research questions are following:

- 1) Has the legal service industry changed its business model from the past?
- 2) What drives these changes?
- 3) What existing legal service providers have to do in order to transition into a new, desired business model?

The first question is the fundamental question behind this research and answering it enables this thesis to conclude whether there is a change in business models as is proposed by Schmenner (1986, 2004) and international examples especially from the United States. The subsequent two questions are additional to the first one and will provide more insights for future studies. The second question will provide some reasoning for the first question and derives the answer from Porter's theory of competitive strategy, which enables us to look into the factors that are driving the change in the industry. The third question is individual from two first questions and tries to provide some understanding to what should still be done in the business model and strategy process in legal service industry in order to achieve the possibilities in business that are proposed in strategic shift alongside the service process matrix.

### **1.3 Structure of the Thesis**

This first chapter has been dedicated to the introduction of the topic and the reasoning for the choice of topic. Moreover, there has been a review of the methodology and presenta-

tion of the research questions. Chapter 2 reviews relevant literature and different theoretical models for this study. There is a huge amount of different and even overlapping theories, and there is an attempt to bring these together in chapter 2.3.

Chapters 3 and 4 are the main chapters of this study. Chapter 3 attempts to analyze legal service industry and its traditional service business model, and places legal services in Schmenner's (2004) service process matrix. Consequently, chapter 4 assesses the business environment in legal service industry and attempts to present shift in traditional business models and present new ones in order to expand legal services sphere in the service process matrix.

Finally, chapter 5 attempts to provide some conclusions from this study in addition to answering research question and presenting suggestions for some further studies based on these conclusions.

## **2. Literature Review and Theoretical Approach**

### **2.1 Strategy and Business Model**

In order to answer the research questions, relevant literature must be reviewed on service business models and shifts in these models as well as understand current trends in legal service business. Additionally, these findings have to be aligned with Porter's theory on competitive strategies based on the 1979 article. The legal industry and its business model have not been analyzed in-depth especially in Finland but service business model in general has been a topic of various researches in the past. For this reason, it is important to try to determine how legal services especially in Finland are aligned with existing analyses of service business industries. The question of strategy has been discussed by numerous authors and it is not in the purpose of this study to review this literature but focus more on service business model itself.

The background and basis for this study has been founded especially by Susskind (2013) and furthermore by Susskind & Susskind (2015). These two books continue analyzing the role of technology in transformation of traditional professional businesses (Susskind & Susskind 2015) and especially legal industry (Susskind 2013). The changing business environment within legal service industry has not been studied in past few years in large extent (there are some graduate-level studies as exceptions, such as Dzienkowski 2014), and



therefore these two books remain crucial in establishing the context for this study. The fundamental conclusions from these books are that despite the fact that professional services have existed millennia and have remained largely untouched by other competition, even these sectors will face increasing competition from non-traditional actors due to technological advances. Therefore, it is crucial to adopt new technologies and processes to support new types of business models in order to continue thriving in new business environments.

The term ‘business model’ has been used in managerial and academic literature since Bellman et al. (1957) in applied game theory, but its use has started increasing since the 1990s especially in relation to the rise of blue chip companies (Osterwalder et al. 2005). There seems to be a strong consensus that the concept of business model has been used especially in connection with customer-focused value creation (Zott et al. 2011). Despite this, many identify it as a concept that is used internally – how the business is defined within an organization. Moreover, it seems that people use the concept in both business and technology settings although business use is a little bit more common (Osterwalder et al. 2005).

For the purposes of this study, business model will be discussed from internal and external perspective. Internally, with what kind of an organization and internal processes company operates, and externally, in what way value to the customers is created in a company.

## **2.2 Service Process**

As already mentioned and especially for the purposes of this study, Schmenner (1986, 2004) has been very influential in the field. In his first article of 1986, Roger Schmenner analyzed the business models in the service business industries, including legal industry, and formulated the service process matrix, which is utilized in this paper as well. The service process matrix originally distinguished service business models by evaluating whether the degree of interaction with customer and the need for customizing the service for the customer needs or whether the required amount of labor for the service are high or low (Schmenner 1986). The key finding by Schmenner (1986) was that the service companies aim to gain more control over their operations and therefore they have a tendency to move up and towards the diagonal in the service process matrix. Therefore, the purpose was to approach more the ‘service factory’ category (see more in chapter 3.3).

Over the years, the matrix developed further through criticism of, for example, to incorporate more dynamic drivers than traditional capital-labor ratio (e.g. Silvestro et al. 1992 and Tinnilä & Vepsäläinen 1995). Schmenner (2004) revised the matrix to evaluate the degree of variation, including previous interaction with customer and the need for customizing the service for the customer needs, and relative throughput time, that is, how fast the service transaction happens in relation to major competition. Thus, Schmenner (2004) noticed that the key issue with the model was not gaining more control over the operations, but actually how to increase productivity, and he dropped the labor requirements for service operations and replaced it with throughput time.

As the efficiency has become critical parameter in evaluating services, it has also been a subject of many studies. For example, Tinnilä (2013a and 2013b) has studied efficiency in banking sector and has described different measurements for efficiency in each quadrant in Schmenner's service process matrix. These are briefly reviewed in chapter 3.3.

Stabell and Fjeldstad (1998) have evaluated value creation in different kinds of services, roughly dividing service models in three: value chains (mostly production facilities), value shops (many service providers) and value networks (mostly platform businesses, such as Airbnb). Value creation especially in value shops is critical to assess to some extent in this study in order to identify critical elements in legal service value creation for purposes of distinguishing different relevant approaches to customer needs in the industry. Additionally, strategy tradeoffs in knowledge and network businesses have been studied by Fjeldstad and Haanæs (2001). An important finding in this study regarding the thesis at hand is that the key tradeoff value shops typically encounter is in the specialization: in order to provide knowledge-intensive service in a very complex problem, the service provider requires very in-depth knowledge and specialized people to carry out such service. Managing this tradeoff requires recruiting new competencies and client relationships in order to overcome this tradeoff. Both these studies underline that the value creation in value shops, such as law firms, happens in the problem-solving cycle.

Moreover Apte et al. (2010) have analyzed the business model and development of information-intensive services. Apte et al. (2010) have deduced based on Apte & Mason (2004) that legal services are mainly high information intensity, high customer contact intensity and low material intensity services. Similarly, what Tinnilä (2013a) found, there are major difficulties in trying to analyze efficiency measures in service industry in general. There

are therefore extensive challenges in trying to analyze and measure efficiency of legal services.

### 2.3 Coping with Extensive Theory

Conducting this study made it clear right away that there are number of overlapping theories and fields of management research that need to be examined since this thesis aims to study business model change in an industry. The most fundamental part this thesis aims to understand is the *direction* of the change, that is, where the current development is heading to. Schmenner's (1986, 2004) service process matrix enables us to examine what is required and what will happen when the service business changes into different one. Additionally, Tinnilä's (2013a, 2013b) valuable contributions in measuring services enable us to assess the factors that would make changing businesses thrive in new markets. The *reasons* for why and how this is happening are, in a way, supplementary but necessary in order to satisfactorily evaluate the direction.

Susskind (2013) and Susskind & Susskind (2015) show that there is a change in the market to which existing businesses need to react. This shows that there is a need for new type of services. If the existing practitioners would be dynamic enough to react to these changes, there would be no need to change business model extensively as they would be reacting to market needs sufficiently. However, because this seems to be not the case, service providers are changing as well. If there are major changes in the market, such as what Porter (1979) describes, strategies are bound to change and business models need to be revised. Reviewing strategy as part of business model review is therefore mandatory.

What kind of services are required is another question, and it can be answered by assessing the value creation (Stabell & Fjeldstad 1998) and tradeoffs (Fjeldstad & Haanæs 2001) of legal services. Assessing the type and quality of the service makes it important to understand how the value creation happens in the first place and what are the expectations of law firms' customers. These in combination with the analysis of direction of the change will enable us to draw some preliminary conclusions as to what might happen in the near future. The challenges lying ahead of the change of business models in existing companies – and naturally the challenges that new entrants are facing – come from finding correct strategy tradeoffs. These tradeoffs must be further supported by efficient measures by the companies in order to safeguard smooth transition into new business areas.

### 3. Analysis of Business Model in Finnish Legal Services Companies

#### 3.1 Review of the Current Situation of the Legal Service Industry in Finland

It is surprisingly difficult to try to analyze Finnish legal service industry in detail. This is due to the fact that legal services are offered in Finland by variety of different actors, most important of which are naturally law firms, which are either attorneys-at-law offices (*asianajotoimisto*) or ‘regular’ law firms (*lakiasiaintoimisto*).<sup>ii</sup> In addition to these, legal services are provided by many in consultancy or accountancy businesses. It has not been researched in-depth what the legal service industry comprises of. Without thorough analysis of accounting and consulting firms, it is impossible to analyze the legal service industry comprehensively. However, it is possible to infer that the majority of the legal service industry still happens within traditional law firms and other companies typically associated with legal industry, such as patent offices.

In order to conduct this research at hand, statistics will be utilized from the Statistics Finland, which is a public authority that combines data from Finland, including data from economic activities and companies. From the Structural business and financial statement statistics we can see that the amount of companies in legal service in 2015 was 1,668 companies with a combined turnover of approximately €828 million. The staff employed by these companies was 4,730 full-time employees in total. While the change in annual amount of companies and employees have remained within 1-2 % between 2013 and 2015, the turnover of these companies has increased by almost 6 % annually. The salary development has been similar to turnover, with almost 5 % increase annually.

The legal service companies listed in official statistics consist mainly of attorneys-at-law firms (49 % of the total companies in 2015) and regular law firms (42 % of the total companies in 2015). However, attorneys-at-laws are responsible for more than 71 % of the field’s turnover, more than 69 % of the staff and almost 75 % of the salaries. Respectively, these numbers are 14 %, 16 % and 11 % for regular law firms. The proportion of these statistics have not changed significantly between 2013 and 2015 in most part. From these we can see that attorneys-at-laws are responsible for the majority of the turnover, staff and salaries paid in the field. Therefore, if there is change in business models, the change should be seen in these companies.

However, the difference between attorneys-at-laws and regular law firms is significant. Attorneys are highly regulated in Finland due to the Attorneys-at-Law Act of 1958. The Finnish Bar Association controls and supervises the sector, and only members of the Bar and those who have attained permission from it are eligible to represent other people and companies in the courts. However, the permission is not required for other kind of legal consulting and thus companies and people not associated in any way with the Finnish Bar Association are still capable of providing legal services.

Why is this so important? The Finnish Bar Association and its By-laws restrict its members to conduct certain businesses while retaining the status of an attorney. When the business models are changing, also the conduct of business has a habit of changing and attorneys-at-laws are not free to choose what kind of activities to pursue. According to the article 11.4 of the By-laws, attorneys are not allowed to conduct any other business activities within the attorneys-at-laws besides legal work and whatever directly serves this purpose. In practice this means, that in order to develop new technologies, the attorneys-at-laws are restricted to pursue greater innovations to develop further their own business. Therefore, it seems likely that new innovations will come from other actors in the legal service field than attorneys-at-laws. However, it will be necessary for traditional firms to adopt new technologies due to the increasing competition from other sectors. This causes minor dilemma for many law firms as regulated companies might not be as able to pursue development programs themselves.

The size of legal industry in terms of statistics as above has been reviewed shows that the industry is relatively small. According to the Structural business and financial statement statistics we can also see, that in 2015 the size of accounting was approximately €1,491 million and the size of management consultancy was approximately €2,431 million compared to legal industry's €828 million. However, should there be possibilities for these other industries to start gnawing their way into legal industry, the size and growth of the market are still attractive. If these companies that are not regulated by the Finnish Bar Association and they want to enter the legal market, they are able to develop new processes and technologies to provide more value to the clients of law firms. Naturally the part of legal representation in the courts is out of their reach if they choose to remain outside of Bar regulation, but this is only a share of the legal activities: especially corporate clients rarely want to go to courts but their needs are more varied in the legal assistance of their own operations.

### 3.2 Business Model of Legal Services

The business model can be defined in many ways as the literature concerning it distinctively shows (Osterwalder et al. 2005, Zott et al. 2011). The business model can be thought as a model for external value creation and internal processes, both of which are affected by business strategy, business organization and the use of information technology, as is shown in the Figure 1. There are other elements in business model (Morabito 2014, 170) but this study focuses only on previously mentioned two elements.

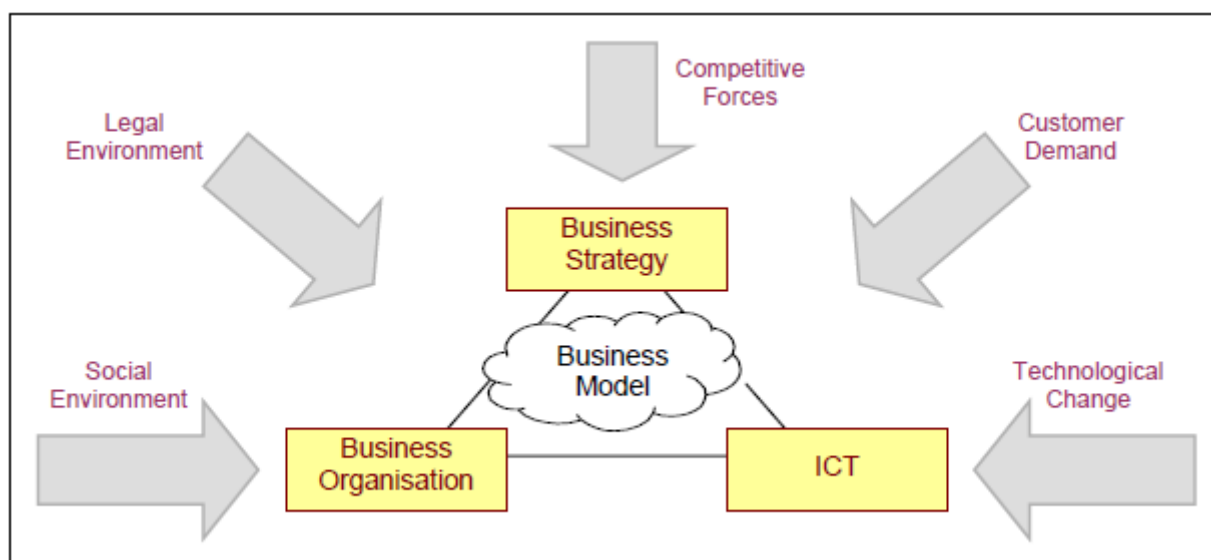
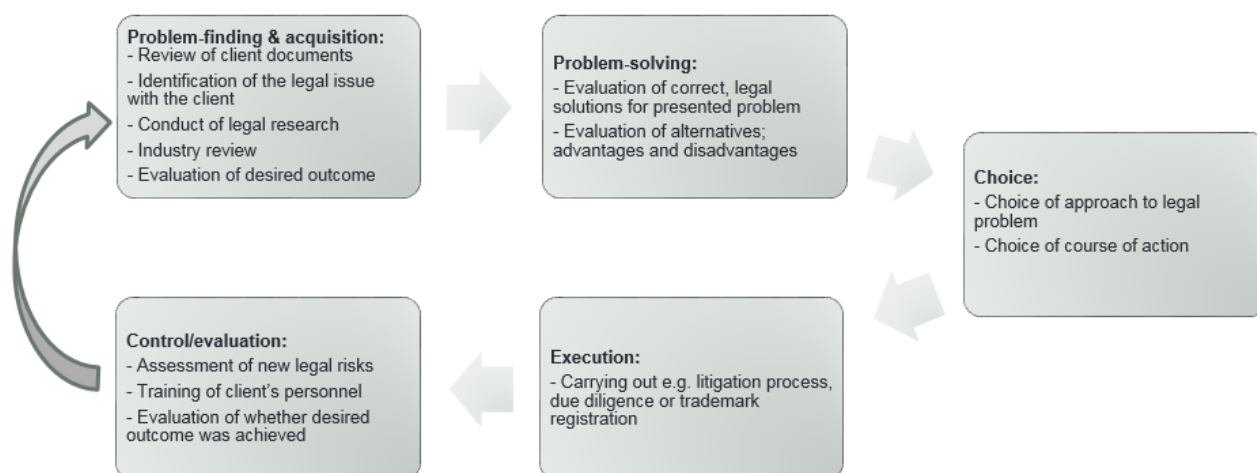


Figure 1: The Business Model's Place in the Firm (Osterwalder et al. 2005)

Internally, the idea of generating revenue in legal service is traditionally through ‘billable hours’, that is, the law firms have a fixed or negotiated price per hour of lawyer’s work for the client. Another solution is a project-based fee, which is commonly used in, for example, finance and mergers and acquisitions practices. However, the bottom line is that each lawyer within a company is assigned with a special value for the purposes of client-work: senior lawyers have higher value and junior lawyers and interns usually significantly lower. The value of each level is based on the experience and knowledge of the employee.

The value creation of legal service to a customer can be described as a problem-solving diagram in Figure 2. The value creation in problem-solving has roughly five distinct parts: problem-finding and acquisition, problem-solving, choice of solution, execution of the solution and control and evaluation of the situation. Depending on the issue at hand the activities performed in each of these stages might be very different. In Figure 2, there are few examples of different activities in each stage. It should be noted that the cycle can be

restarted and continued with other levels of cycles as many times as needed. The diagram merely illustrates different phases in every kind of problem-solving activity. When the customer assigns its advisor with a task to solve a legal issue, every stage in the diagram adds value to the customer.



*Figure 2: Problem-Solving Diagram of a Legal Service Provider (adopted from Stabell & Fjeldstad 1998)*

This basic idea of lawyer's work shows that the business is very labor and knowledge intensive but requires fewer resources to maintain. This also means that the human capital and its use limit the possibilities of higher revenue: there is only limited amount of time that each lawyer can use per day and therefore the amount of billing is fundamentally limited by this fact. This is also typical in other traditional professions (Susskind & Susskind 2015). From basic economic point of view, it is normal that the use of technology typically increases the value created in an organization through scalability. In the case of legal services, this is true only to some extent: use of technology has indeed increased the value created to the clients through better quality service. However, the technology – no matter how developed it is – will not increase the possible hours for a lawyer to work.

Typically, clients in legal service, as in usually any kind of service, want (1) accurate and reliable legal advice (2) as cost-efficiently as possible. There is a fundamental dilemma here between the interests of clients and their legal advisors. Accurate and reliable legal advice requires either very experienced lawyer or numerous hours of legal research by junior lawyers: these both increase the costs of the service. The use of information technology, for example through use of modern legal databases and search bots for cases and project management software, has a possibility to increase the quality of the service but the legal service provider does not have a clear incentive to decrease used hours although client

would definitely benefit from this.<sup>iii</sup> The business model of legal service sector does not, therefore, accommodate the interests of the customers completely and they have incentive to seek legal advice from alternative sources – if the quality is high enough.<sup>iv</sup>

Major legal questions naturally require extensive work, and such conduct is mandatory for attorneys-at-laws by regulation of the Finnish Bar Association. There are, however, also legal questions that are ‘lighter’ in nature. Many companies require small pieces of legal information for instance to decide whether individual employee is eligible for a small raise. Since even the smallest bills from law firms may exceed thousands of euros, clients are reluctant to ask for legal advice if the interest is low. This does not remove the need for legal advice but shows that the demand and supply of legal services do not match completely.

### **3.3 Service Process Matrix**

Schmenner (1986, 2004) has designed a matrix that helps categorizing different types of service processes within different businesses. The idea is to determine the nature of services through two variables: (1) the degree of variation in terms of customization for and interaction with customers, and (2) the relative throughput time compared to competitors. This, in turn has divided different kinds of services into service factories (low, low; for example budget flight providers), service shops (high, low; for example many restaurants), mass service (low, high; for example furniture stores) and professional services (high, high; for example accounting or law firms) as shown in Figure 3.

There is a phenomenon that many companies have a tendency, on average, to move closer to the diagonal arrow and moving upwards in the matrix (Schmenner 1986, 2004). The reason for the movement towards the diagonal is similar to what traditionally has been the key for productivity in factories: to gain more control. Schmenner (1986) reasoned that it is fundamentally more difficult to be in control of services than it is to control for example a factory situation. This makes sense since the value of service comes from quality, which in turn is difficult to assess especially in the case of information of knowledge intensive service industry (Apte et al. 2010). Therefore, it is understandable for most companies to aim towards a situation in which they gain more control over the operations. However, as Schmenner (2004) noted, the key issue is actually how to increase profitability through decreasing the throughput time of the service and increasing the efficiency – not to increase the control itself. This was based on an analysis of thriving service companies. It



should be mentioned that the movement has been ‘on average’: there is typically a need for every type of service but the markets tend to be larger closer to service factories.

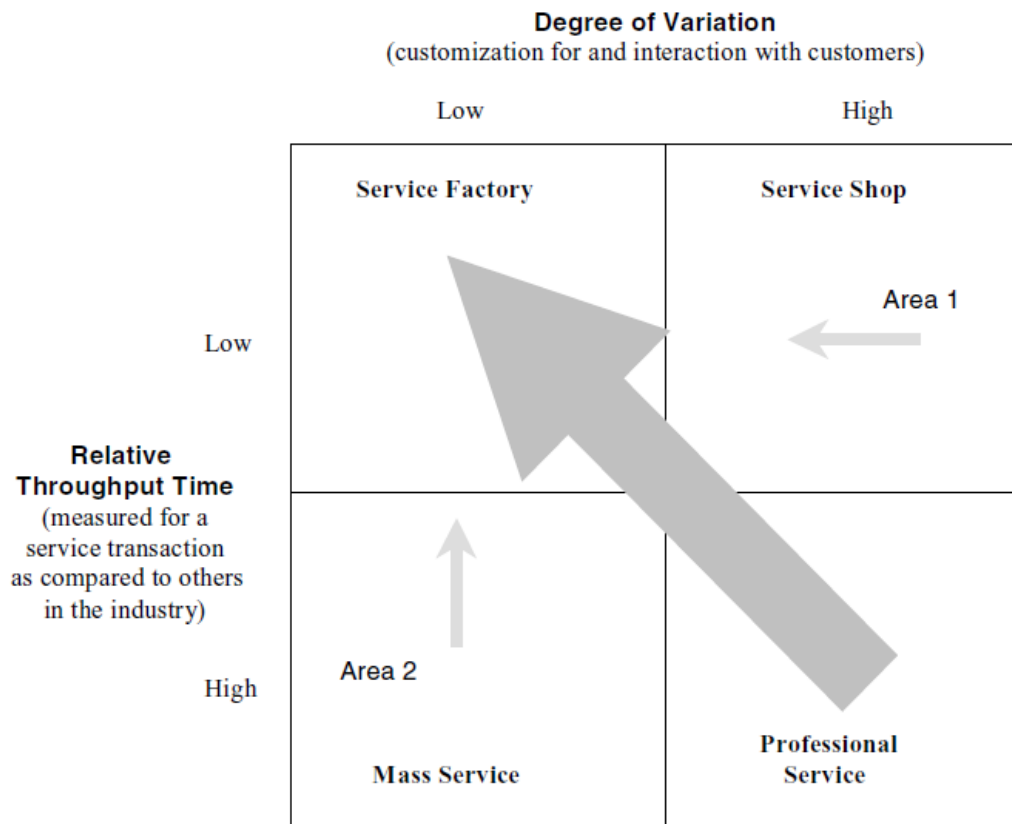


Figure 3: Schmenner's (1986) Service Process Matrix as Revised in Schmenner (2004)

The attractiveness of moving upwards generally has a potential of increasing potential earnings since it typically extends the scope of markets to which a service provider provides its services. Moving upwards in the diagram happens when the relative throughput time decreases. This has happened for example in the banking sector where banks have started to look at the insurance service industry (Schmenner 1986) in order to provide synergistic services to their customers and simultaneously increasing their own revenues. Moreover moving to the left by decreasing the degree of variation enables more standardization and automation, which has a tendency of reducing costs per activity.

Each quadrant in the service process matrix has different attributes in terms of efficiency and these have been studied by for example Tinnilä (2013a). Service factories offer very standardized services and aim to provide that in as efficiently as possible by aiming to automatize the service to a high degree and providing customers cheap services. In mass services there is expected to be high volume with very little variation. However, compared to

service factory, maximum efficiency is not desired as the service typically requires more time to provide it to the customers adequately. Moreover these are typically rather labor intensive. Labor intensity, service range, interaction needs, and customization levels could measure efficiency in service shops. Lastly, professional services could be measured by uniqueness, judgment level and specialization level of the employees (Tinnilä 2013a).

Law firms and other legal service providers rely on the expertise of their lawyers and other legal consultants. Additionally, legal service is typically customized individually for customers as per their unique case requirements. The quality of their services is measured by the accuracy of their advice. For these reasons carrying out the legal research and drawing up appropriate messages and documents for clients takes time. These qualities of services place different types of law firms firmly to the professional service sector of the service process matrix by default.

### **3.4 Dilemma of the Legal Service Business Model in the Service Process Matrix**

If we assume, as Schmenner (1986, 2004) has described, that the efficiency and potential profits increase by moving to the left and upwards in the chart, we should examine how legal service business model fares in this respect. There seems to be a fundamental dilemma in increasing profits by standardizing or reducing the throughput time: an hour is always an hour. If the business model inherently operates on the billable hours' basis, there is no incentive to increase productivity but to increase hours. This is a business model that can thrive only as long as there is no external competition if it is the only model the market operates on, as the model is not beneficial for the customer. Naturally it is beneficial for clients in individual cases, just not as a general business model.

It is not convincing to say that the law firms and legal service in general is operating on this business model in order to take advantage of their clients need, although this likely happens to some extent in some companies. The business model just happens to have been profitable for possibly millennia and changing something so old and easily understandable is difficult, to say the least: lawyers are taught to be detail-oriented and extremely careful in their job so it is easy to justify such an operating model. However, as the clients become more and more reluctant to support this kind of business model the need for change emerges. Clients are not willing to, and should not, pay for lawyer-made work that could be done by low-salary employees or machines.

Some parts of legal service may never become standardized but always require some form of customization, and therefore it is reasonable to assume, that many legal service providers will remain in the professional services area of the matrix. Law firms will provide extensive legal assistance in some cases, and here current business models will thrive in the future as well. This model requires very experienced lawyers to attend clients' needs and the value and quality of such services are signaled by extensive relationship networks of senior lawyers and great brand image of their companies. However, clients will want more productivity and fewer hours put into work that is closely associated with legal work but does not require high customization and could be done more efficiently. This will either force some law firms to change their business models or there will be new companies that will provide such service.

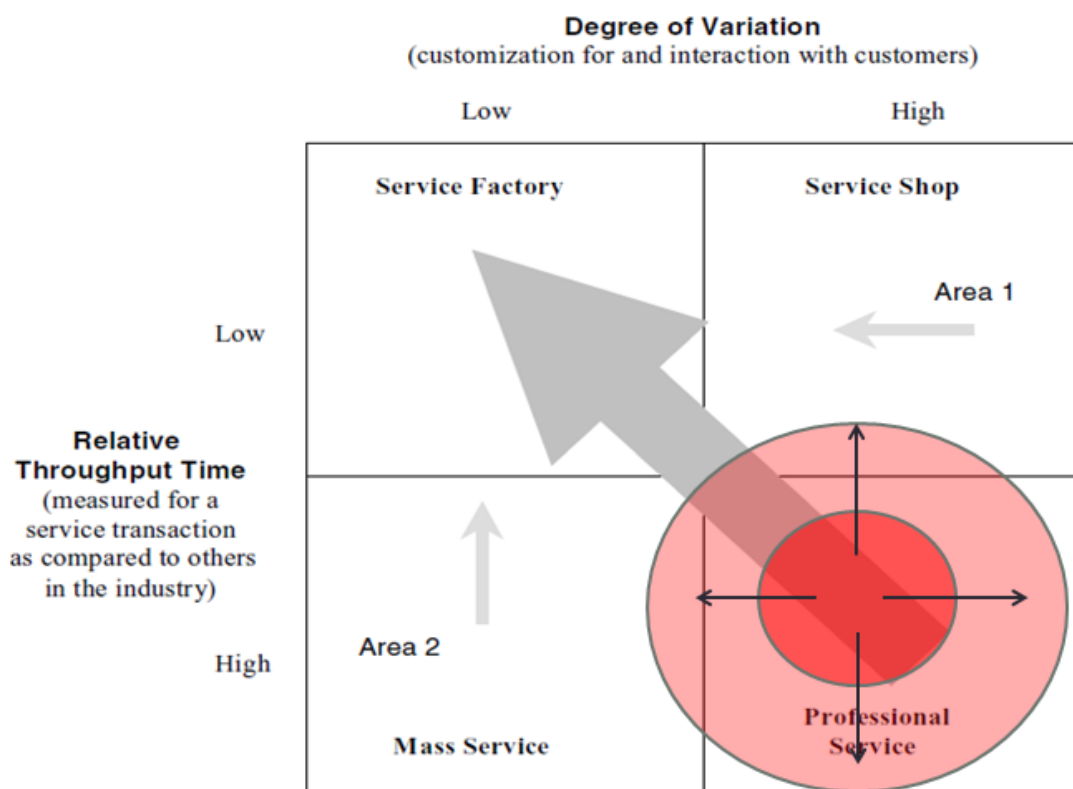
Additionally, over the past few years, the legal market has been growing steadily. This indicates that either there is new demand for services or legal service has become more expensive. It is unclear which, or both, of these is true. However, we can see that while the turnover has been increasing, the amount of staff in the industry has not increased in a similar fashion. It is impossible to draw clear conclusions, but it seems like that legal service is indeed increasing the prices, as it would not be easy to add more hours by the employees.

## **4. Assessment of the Business Model Change**

### **4.1 Analyzing the Shift by Reflection of Predicted Business Model Change**

In brief, clients' needs for legal assistance can be divided in two: either they require (1) quick legal assistance in minor issues or (2) extensive legal assistance in major issues (e.g. court cases). While there might be changes in coming years, the need for extensive legal assistance and its providers most likely will not vanish, but instead will increase due to the complexities and interconnections of modern world. Traditional professional service business model will serve in these questions and it would suggest that especially top-tier legal service providers would not be going extinct, although they might experience focusing of their activities as predicted above. However, the demand for assistance in minor issues will rise, and most likely the supply comes from outside existing practitioners if they are unable to change their business models.

The availability of new types of legal services by new service providers would mean that it is plausible that there will be an ‘extension’ in the service process matrix. This means that legal service industry’s position in the matrix will stretch to cover even more space and, in turn, the variety of legal services will increase, as presented in Figure 4. There will be more those senior practitioners who move even more to the down and right by increasing more expertise (therefore time) and variation to their clients’ needs, thus tailoring their services even more through specialization. Some companies will remain in the ‘traditional’ slot (darker red color) and continue to offer a full range of legal service (for company clients). However, there will also be those who start to look for more creative approaches to deliver quick and easy access to legal service and information. These will push the legal service industry also towards mass service or service shops. Moreover, other professional service providers, such as consulting and accounting companies, enter the traditional service slot for legal services. This means that there will be more depth in the service providers as well.



*Figure 4: Modified Service Process Matrix Describing the Expansion of Legal Service Industry*

If we look at Figure 4 we can notice that there might be shift into other quadrants of Schmenner’s (2004) service process matrix. It is very likely that not all legal services can be classified as ‘pure’ professional services but instead some are looking more like mass

services, service shops or even service factories. If this development would be similar to what has been in, for example, finance sector (Tinnilä 2013a), we will most likely witness more standardization and quicker legal services in the future. More importantly, this enables legal service industry to lower prices of their services, when expected and needed, and opens up completely new demand for legal services. This would also mean that the market would grow through wider market coverage.

## **4.2 What Is Happening ‘Tomorrow’?**

### **4.2.1 New Business Models**

If indeed there is a major shift in the legal service field, it is useful to evaluate the importance of Porter’s (1979) findings about competitive forces in relation with strategy as this would predict what changes could happen. Porter (1979) suggested that for example there is an underlying threat of new entries in the market and that there might be new substitute services. Furthermore, Porter (1996) suggests that the power of strategy lies in the ability to make key tradeoffs. This means that no strategy or business model is perfect and cannot become all-encompassing. Instead, the key to successful strategy and performance of a company is finding important operations that the company concentrates to. The core strategic choice of professional service industry is to have sufficiently experienced and proficient professionals to work with demanding clients.

It is likely that in the future that legal service will be ‘dissected’ into smaller parts (Susskind 2013). The key tradeoff many companies have to make is to decide, which parts of the legal service they will not serve. For example, legal service could be dissected in problem finding process, coming up with different solutions and choosing the best of them, and execution phase as presented in Figure 2. Respectively these could be identifying legal problems (which many in-house lawyers do), solving critical and complex legal problem, and carrying out a mass lay-off or going to court to settle disputes. Nowadays these functions are done by many law firms, but facing fiercer competition they might start specializing even more.

There are examples where the service provider moves to a direction of very tailored and limited service but over time seem to develop into a ‘full service’ company to compete with existing top legal service providers.<sup>v</sup> These are not attempts to ‘rethink’ the industry but a model to penetrate highly competitive market. This might be caused by the limitations of the Finnish Bar Association and the fact that existing business model is still thriving.

ing. However, if the clients become more aware of different options for legal service, it is likely that it is not necessary or even efficient to use ‘full service’ but focus on best experts on the field. This enables the creation of smaller, very tailored legal service companies. In order to accommodate the needs of clients, full service companies, on the other hand, most likely will continue to grow over coming years and they will concentrate into few large company.

The legal service could be dissected in other ways as well based on the actual functions conducted in client cases: document review, searching for legal information, document drafting, and communication of legal issues to other stakeholders and so on. These are tasks that are typically performed by junior lawyers or paralegals, and there is no clear reason why such high-cost workforce should be used in the future. Instead many of these tasks – although necessary in finding a solution to client problem – can be performed by machines. In line with this, it is completely perceivable that there will be companies that specialize in some of these functions, which in turn are outsourced by ‘traditional’ professional legal service companies (law firms depicted above). This is already happening as there are many startups in the field. This is happening in many law firms as well as they are trying to implement new technologies for their operations in order to increase quality of their work and reduce costs.

There can also be completely new types of business models. The development of new models is already going forward as there are new entries in the legal service market pursuing new approaches. A great example of a new entry is Fondia. It is not targeting merely high-end customers but has aligned its business model to serve also smaller clients as it delivers its Legal Department as a Service. If we compare the profitability of Fondia to other similar size traditional legal service providers (namely attorneys-at-laws), it is significantly less profitable.<sup>vi</sup> This is understandable as professional service providers tend to have remarkably high profit-revenue ratio. Compared to attorneys-at-laws, the growth and extent of Fondia is not limited to the amount of employees in a similar way than its competitors as it is not bound by the rules set in the Finnish Bar Association – in other words, it can create services that are scalable easier. One example is its VirtualLawyer service, which provides free legal information for its users, but has in-service additions, which are charged on monthly basis. Scalability is something that enables huge growth and is practically impossible to have if the business model revolves around the amount of labor, unless the labor prices decrease.

There are other new entries by established companies, which are in different industry: accounting and consulting. For example, KPMG, traditionally specialized especially in accounting and tax consulting, has shown significant interest in legal consulting for example in ICT and privacy sectors (naturally, they have been in other tax-related legal fields previously). These are no longer directly related to tax consulting or accounting. There are no major restrictions for providing extensive legal consulting, and this enables other companies to pursue new markets. Moreover, established companies can actually create even more value to their customers than traditional legal service providers can, as there are synergies with other types of consulting. These international companies have huge resources for developing technologies to assist in legal consulting. While this is not really a new business model, it is a new entry in the market, which makes it a major threat for many legal service providers. Since the legal market is growing at least on some terms, this attracts more players to the field and especially larger players, which try to find more business everywhere. While the legal market is significantly smaller than accounting or management consultancy, its annual growth rate has been steady at around 6 %, which should attract competition.

There is an attempt to classify different business models roughly in Figure 5. Here is a division of different service providers based on their business model. It should be noted that this is only an attempt to classify these services somehow and it should not be considered a strict one. Type of service allows placing different classes to different locations in service process matrix as presented in Figure 4. Business model refers to the revenue creation of the class; therefore, it specifically addresses the internal business model. Moreover, regulation refers to the amount of regulation of legal service in each class.

Startups are the most curious class in Figure 5 as they take many forms. It is also typical that only few startups eventually are able to create a sustainable business model. Many of the startups employ or attempt to employ new, innovative technologies, almost none of which are currently utilized in legal services. There are some attempts of using machine learning and artificial intelligence for automated document review and natural language processing to create documents. In the United States, which has a thriving legal tech field, there are also attempts of using big data for court case analysis and legal research. Many startups and their disrupting technologies most likely will come outside of Finland. It is possible also, that in the early stages they do not attempt to penetrate into legal service market itself but aim to serve legal service providers. However, over time, these companies

become valid competitors for many different classes in Figure 5 as they reach the threshold of data and knowledge in their services in order to serve clients with complex needs.

<u>Class</u>	<u>Service providers</u>	<u>Type of service</u>	<u>Business model</u>	<u>Clientele</u>	<u>Examples</u>	<u>Regulation</u>
<u>Full service providers</u>	Senior and junior lawyers, typically attorneys; a lot of assisting staff and junior lawyers	Continuous interaction with clients with different kinds of services	‘Traditional’ business model of billable hours or project pricing; high overhead costs	Large clients with complex legal problems and continuous need for legal advice	Full service law firms, such as Roschier, Castrén & Snellman, DLA Piper, Bird & Bird	High
<u>Boutique firms</u>	Senior lawyers specialized in certain issues; only a little bit assisting staff and junior lawyers	Typically project based service around a very specialized	‘Traditional’ business model of billable hours or project pricing; low overhead costs	Medium and large sized clients with very specific need, e.g. with restructuring or litigation	Specialized law firms, such as HH Partners, Susiluoto, Roihu, Project Law, Avance Attorneys(*)	High
<u>Rethinkers</u>	Innovative attorneys and other legal experts; amount of juniors and other staff varies	Project service or continuous legal consulting; also full service possibilities	Rethinking traditional business model; attempts to scale business	Small and medium sized clients with mostly non-complex legal problems	Dottir Attorneys(**), Lexpert, Fondia, Talenom	Medium
<u>Consultants</u>	Non-legal professionals(***) with extensive industry knowledge; international companies	Legal service in addition to traditional services, such as accounting and consulting	Varies; service typically provided on top of other services and charged as overhead	Accounting or consulting, typically large clients without complex legal problems	KPMG, PwC, Deloitte, EY	Legal regulation low; other regulation can be high
<u>Startups</u>	Innovative lawyers (junior and senior), engineers and designers; international companies	Disruptive, transformational approach to legal services; also provides services to other classes	Varies, e.g. low-cost services, typically use of high-end technology	Mainly small and medium sized clients with mostly non-complex legal problems	TrademarkNow, Sopimustieto.fi, Agens	Low

*Figure 5: Classification of Different Business Models.*

(\*) There seems to be a trend that many boutique firms are trying to transition into full service companies.

(\*\*) Dottir Attorneys could easily be classified into boutique firms as well. They have a typical boutique law firm structure and business model. However, they are also developing additional, scalable services, which merits a place in rethinkers as well.

(\*\*\*) Non-legal professionals here refer to both lawyer and non-lawyer consultants. These might be tax specialists etc., and thus very highly professional legal experts, but this classification refers more to the companies providing different services than traditional law firms.



#### 4.2.2 What Is Going to Happen to Existing Companies

It has been a trend over last decades that law firms are trying to increase their profits by standardizing internally some of their operations and thus reducing the level of customization in their services. This is the case especially in producing simpler legal documents for clients as the senior lawyers have first drafted model documents for junior lawyers and paralegals to use. This has been done, for instance, by employing more paralegals and junior lawyers to carry out these simpler tasks and remove this burden from more profitable lawyers (Susskind 2013). In turn, such activities have moved many law firms more to the left in the service process matrix.

However, the traditional business model of law firms (as presented in chapter 3.2) does not incentivize the reduction of hours put in the service. It is possible to increase the amount of junior lawyers to put in many hours in tedious review work to accommodate more profitable business, but this is something that clients would not prefer, as it is not in their interest. Due to advances in technology and possible economic stagnation since 2008, clients of the legal service industry in most cases are not content with traditional service. Although the need for legal service has not diminished – possibly quite the opposite – clients tend to be more demanding to receive exactly the service they require. From client’s perspective, for instance the review of existing law by junior lawyers is not necessary, as there are more experienced lawyers to deliver the same service in less time. While this review creates value to the customer since it adds the knowledge of service provider, usually the added value has been created previously over time by senior lawyers.

If the client has an internal pressure to reduce costs, as is the case in most companies, it will rather rely on the expertise of the senior lawyer instead of allowing the use of junior lawyers – if it has to pay for it. While this does not mean that there would not exist a need for any junior lawyers, it means that the ratio of junior to senior lawyers might decrease, if the legal service industry is unwilling to cut the profits-per-partner. This is possible business model scenario for senior lawyers creating boutique firms as proposed above in Figure 5.

Technological advancements are going to change service industries, and it is a matter of time when the change comes in legal service industry. Moreover, it will be gradual and not be noticed immediately. Applying advanced technology, such as data and semantic analysis or cloud solutions, to legal services will enable lawyers to be more efficient and more

accurate in their services. This will increase the value they create to their clients. Additionally, this will most likely push the industry to rethink the business model from billable hours to different ones, where the value provided by legal consulting is captured in the expertise itself instead of the time used for specific task. For those businesses still in the billable hours model the new technology will reduce redundancies from their work by diminishing the amount of non-senior experts in the company.

It is questionable whether current business model on an organizational level is sustainable. Typically, lawyers in a more junior position generate large profits to the partners in law firms. However, if the ratio of partner to junior lawyer rises, also the profits-per-partner will diminish. This, in turn, will reduce the attractiveness of working for a traditional law firm.

Looking at all aspects of business model as shown in Figure 1, it is clear that there is pressure for change from organizational, technology and general strategy of conducting business and creating value to the customers. While regular law firms and other actors are more aligned to accommodate to changes, static regulations of the attorneys-at-laws will hinder even more the development of new business models in the market. It is clear that as attorneys-at-laws dominate huge majority of the legal market, the major change in the field will happen when the disruption reaches these companies.

## 5. Conclusions

This thesis has discussed about legal service industry in Finland and its ongoing transition into new types of business models. The topic is crucial for many individuals in the society – especially those who study or aim to study law – but also to the society as a whole as we discuss about the availability of legal services and access to legal information. Moreover, when disruptions emerge in a market, there is a major threat to existing companies that their livelihood might be in danger in the future.

The first question for this research presented in the introduction is whether the legal service business model has changed from its past business model. The answer seems to be both: there are still many players practicing law as they have been so far, but on the other hand, there are new attempts to change how the service is provided. Billable hours are still the norm and there is only a handful of new players – for now. However, if we consider the ‘past’ legal service business model in narrow terms as very strictly limited professional

business service with only small variations in the model, there indeed has been a change. While the change is not all-encompassing, it is definitely there. We can notice from the service process matrix as presented in Figure 4 that legal services will increase in variety as it has been doing over last decade.

Another aspect of the first question is the time scale of the change. There are many reasons why the development has been rather slow and might be rather slow in the near future as well. One reason is the education of future lawyers, which still strongly emphasizes the ‘traditional’ role of a lawyer. This naturally means that besides economic reasons, there is a psychological barrier with many lawyers to change the way they operate. Additionally, clients of law firms are not used to tender their legal services extensively but instead typically rely on those experts who they have worked with before. There are valid reasons for that but presumably this will change to some extent in the future, when the competition increases, but most likely it will slow down the development. As Porter (1979) suggests, there is a threat of new entries, which will eventually force changes in strategies and business models.

The second question is more complex one compared to the first one. The answer to what drives these changes can be divided in two: what external and what internal drivers there are for the change. The external drivers concern mainly about the drivers from the market, that is, will customers of legal service industry require new types of services and what and how are they willing to pay for those. The internal drivers relate especially to organizational structures and application new technological solutions. As we can see, this question rotates around the business model as presented in Figure 1.

If there is a need for legal service, quality of which is not assessed only by billable hours, the market will find a way to provide services with sufficient accuracy in a cost-effective way. This way, if current legal services continue to remain static as they more or less have been so far, it will likely eventually lead to diminishing profits in law firms. Although the market is relatively small, €828 million, it is still large enough to attract more competition especially considering its growth. It will therefore be interesting to follow the progress of legal market shares between attorneys-at-laws and other service providers in the coming years.

Current legal practices do not rely as much in technology as they could. While gathering legal information has changed from books to legal databases, such as Edilex and Su-

omenlaki.com, and letters have changed to emails, major disruption in how legal services are conducted has not emerged yet. This is the same both in Finland and globally. As mentioned above in chapter 4.2.1, there are, however, many attempts to provide new types of services and enhance current ones with for example data mining, big data solutions, cloud solutions and through use of AI. Some or all of these will bring new disruption, and eventually it is likely that they will change the services fundamentally. For instance a software from Kira Systems is already able to review huge masses of documents for the purposes of due diligence of a merger or acquisition. It is able to practically replace all junior lawyers who previously were doing this review job – and do it more accurately! While law firms, which use this software, still require manual review of most of the documents, it is only a matter of time that the algorithms become so superior to human that the clients are simply willing to pay only for the operations of the software and not the ‘double review’ conducted by humans. Another example is IBM Watson-powered legal AI called “Ross” that is replacing many human experts in American law firms.<sup>vii</sup>

It may be very far in the future that the machine is able to conduct definitive legal analysis of a complex case involving complex cultural and societal issues. However, the machines will be able to provide almost instantaneous accurate and correct sources for any given problem as long as the lawyer handling the case is able to formulate this problem. Moreover the algorithms for suggestions for more in-depth information of any given legal issue will become more and more efficient (think of Google), which will raise both the quality of legal services and especially the requirements from the clients. The clients would not be willing to pay for extensive legal research and long draft documents but expect lawyers and other legal service providers to provide accurate advice for their problems and use different software to assist the lawyers in this. The problem with future technology is that we are unable to predict its contents or its impacts. So far, lawyers have not been aligned to be able to notice them effectively. When the technologies are adopted, however, the quality of different services and their stages as presented in Figure 2.

Third question is about what still needs to be done if current practitioners wish to compete also in the future. The business models and market are dynamic and therefore there cannot be a single answer to that question. First of all, one has to agree that there is change happening in the legal service industry and existing players are being ousted unless they act. The desired state is not easy to define but essentially it is remaining profitable in business and providing quality service to the clients.

The fundamental question will be, whether the current business model is sustainable when new technologies are adopted in law firms. Law firms will need to adopt new technologies as their clients will be pressuring them to increase efficiency in their operations. Major problem in the most traditional business models is that in order to attract more senior partners for current law firms, more junior lawyers are required to sustain their high requirements for profits. If junior lawyers' tasks are reduced due to adoption of technology, it is very difficult to predict whether current amount of junior lawyers is sustainable.

If existing companies want to compete in the future also with new entries, which try to disrupt the market, there is a need for legal engineers, who are capable of creating new types of services with emerging technologies. These companies need to identify and decide their strategy tradeoffs in order to advance in specialization as Fjeldstad and Haanæs (2001) suggest for value shops.

There are many limitations in this study, however. The main problem is that there still is a need for any kind of quantitative information about the progress – observations in this study are, to some extent, subjective. In practice, it is possible that there is no fundamental need for change in the legal industry and that is something that will yet to be seen. This will be noticed over next decade or so, whether current business models are changing as this paper suggests or whether it remains mostly the same.

This study has raised numerous questions for further study. Especially concerning the drivers it would be extremely beneficial to study in more detail what kind of technological solutions would be possible and how they would impact in the efficiency or quality of legal services. Moreover, it would be important to try to assess how to measure legal services. This would enable clients to actively compare different service providers and tender their services. Comparing professional services is notoriously difficult, as the assessment typically requires similar expertise.

In chapter 4.2.1 and Figure 5, there were presented different business models. Used classification should be polished and reviewed more in order to research what kind of value creation is happening in different service models. Additionally, more research on how different technologies affect legal services would be very beneficial for both legal service providers and their clients. If these are researched thoroughly, it could enable legal service industry to focus their development endeavors in the future.

## Sources

### Literature

Apte, U. M. & R. O. Mason, “Using knowledge to transform enterprises” in Kahin, B. et al. (eds) *Transforming Enterprises*, MIT Press, Boston, MA 2004, 131-154.

Apte, U. M., Cavaliere, R. A. and Kulkarni, S.S., “Analysis and Improvement of Information-Intensive Services: Evidence from Insurance Claims Handling Operations” (2010) *Production and Operations Management*, Vol. 19(6), November-December 2010, pp. 665-678.

Bellman, R., Clark, C.E., Malcolm, D.G., Craft, C.J. & Ricciardi, F.M., “On the Construction of a Multi-Stage, Multi-Person Business Game” (1957) *Operations Research*, Vol. 5(4), August 1957, pp. 469-503.

Dzienkowski, J.S., “The Future of Big Law: Alternative Legal Service Providers to Corporate Clients” (2014) *Fordham Law Review*, Vol. 82(6), 2014, pp. 2995-3040.

Fjeldstad, Ø.D. & Haanæs, K. “Strategy Tradeoffs in the Knowledge and Network Economy” (2001) *Business Strategy Review*, Vol. 12(1), 2001, pp. 1-10.

Magretta, J., “Why Business Models Matter” (2002) *Harvard Business Review*, Vol. 80(5), pp. 86-92.

Morabito, V., *Trends and Challenges in Digital Business Innovation*, Springer International 2014.

Nelson, R.R., “Why Do Firms Differ and Why Does It Matter?” (1991) *Strategic Management Journal*, Vol. 12, December 1991, pp. 61-74.

Osterwalder, A., Pigneur, Y. & Tucci, C.L., “Clarifying Business Models: Origins, Present, and Future of the Concept” (2005) *Communications of the Association for Information Systems*, Vol. 16(1), 2005, pp. 1-25.

Porter, M.E., “How competitive forces shape strategy” (1979) *Harvard Business Review*, Vol. 59(2), March 1979, pp. 137-145.

Porter, M.E., “What Is Strategy?” (1996) *Harvard Business Review*, Vol. 74(6), November-December 1996, pp. 61-78.

- Richardson, J., “The business model: an integrative framework for strategy execution” (2008) *Strategic Change*, Vol. 17, pp. 133-144.
- Schmenner, R.W., “How Can Service Businesses Survive and Prosper?” (1986) *Sloan Management Review*, Vol. 27(3), Spring 1986, pp. 21-32.
- Schmenner, R.W., “Service Businesses and Productivity” (2004) *Decision Sciences*, Vol. 35(3), Summer 2004, pp. 333-347.
- Silvestra, R., Fitzgerald, L., Johnson, R. & Voss, C., “Towards a Classification of Service Processes” (1992) *International Journal of Service Industry Management*, Vol. 3(3), pp. 62-75.
- Stabell, C.B. & Fjeldstad, Ø.D., “Configuring Value for Competitive Advantage: On Chains, Shops, and Networks” (1998) *Strategic Management Journal*, Vol. 19(5), May 1998, pp. 413-437.
- Susskind, R., *Tomorrow’s Lawyer – An Introduction to Your Future*, Oxford University Press 2013.
- Susskind, R. & Susskind D., *The Future of Professions – How Technology Will Transform the Work of Human Experts*, Oxford University Press 2015.
- Tinnilä, M., “Measurement of Service Efficiency in Different Types of Banking Services: Mass Services, Service Factories, Service Shops, and Professional Services” (2013a) *International Journal of Service Science, Management, Engineering, and Technology*, Vol. 4(1), January-March 2013, pp. 47-67.
- Tinnilä, M., “Efficient service production: service factories in banking” (2013b) *Business Process Management Journal*, Vol. 19(4), 2013, pp. 648-661.
- Tinnilä, M. & Vepsäläinen, A.P.J., “A model for strategic repositioning of service processes” (1995) *International Journal of Service Industry Management*, Vol. 6(4), pp. 57-80.
- Zott, C., Amit, R. & Massa, L., “The Business Model: Recent Developments and Future Research” (2011) *Journal of Management*, Vol. 37(4), July 2011, pp. 1019-1042.

## Other sources

Official Statistics of Finland (OSF): Structural business and financial statement statistics [e-publication]. ISSN=2342-6233. 2015. Helsinki: Statistics Finland [referred: 8.4.2017].

Access method: [http://www.stat.fi/til/yrti/2015/yrti\\_2015\\_2016-12-16\\_tie\\_001\\_en.html](http://www.stat.fi/til/yrti/2015/yrti_2015_2016-12-16_tie_001_en.html).

Website of the Finnish Bar Association. Access method: <https://www.asianajaliitto.fi/en>.

---

<sup>i</sup> Over the last five years, there have been many mergers between leading law firms or incorporation of global companies in Finland, creating even larger companies. For example former large attorneys-at-laws, Juridia and its subsidiary Heinonen & Co, and Bützow merged in 2013, only to be acquired by a leading global law firm Eversheds in 2014. Few other examples are merger of Peltonen LMR Attorneys-at-law with another leading global law firm, DLA Piper, and a merger between two middle-sized attorneys-at-laws, Ylikraka Attorneys-at-law and Magnusson Helsinki Attorneys-at-law, to create a significantly larger company at the beginning of 2017.

<sup>ii</sup> This thesis will be using 'attorneys-at-law' to describe attorneys-at-law firms (*'asianajotoimisto'*), 'regular law firms' to describe non-regulated law firms (*'lakiasiaintoimisto'*). Moreover to avoid confusion, 'attorney' will be used for the regulated lawyers working in attorneys-at-laws and 'lawyers' to describe lawyers working in regular law firms. Attorneys consist of those who are members of the Finnish Bar Association and those who are working as employees to these lawyers. 'Law firm' is used when generally referring to these both types of companies.

<sup>iii</sup> Another question altogether is the fact that typically when junior lawyers carry out the extensive legal research, in reality the client actually contributes to the training of junior lawyers, which then becomes 'billable hours' as opposed to getting accurate and spot-on solution from an experienced lawyer.

<sup>iv</sup> A brief note on quality of legal service should be in place. The special nature of legal environment is that typically there are complex and restrictive rules in many cases, breaking of which might cause significant delays or even fines in order to continue preferred action. This might cause tremendous costs to companies. Moreover, small details might turn many issues around, e.g. in liability questions. Knowing these details (typically acquired through experience and education) is extremely valuable to clients and therefore the clients are not necessary worried about the legal expenses but choose to pay more 'just in case'.

<sup>v</sup> According to the author's experience, e.g. Avance Attorneys Ltd seems to have done that over the last couple of years. Other examples are consolidations of major law firms as mentioned in endnote i.

<sup>vi</sup> For example in 2016, profits of five largest attorneys-at-laws, Roschier (38 %), Castrén & Snellman (26 %), Hannes Snellman (36 %), Krogerus (39 %) and Borenus (25 %), were significantly higher than Fondia's (12 %).

<sup>vii</sup> See e.g. 'AI Lawyer "Ross" Has Been Hired By Its First Official Law Firm' on May 11, 2016, in <https://futurism.com/artificially-intelligent-lawyer-ross-hired-first-official-law-firm/> (accessed 23.5.2017).